

## Message Text

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15

ACTION XMB-04

INFO OCT-01 EA-09 ISO-00 AID-05 EB-07 COME-00 TRSE-00

OMB-01 CIAE-00 INR-07 NSAE-00 /034 W  
----- 052990

P R 020736Z SEP 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 0028

INFO AMEMBASSY CANBERRA

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 10717

DEPT PASS EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, BEXP, OTRA, ID

SUBJ: GRESIK-CEMENT EXPANSION CONTRACT SIGNED --

EXIMBANK LOAN 5514

REF: (A) SURABAYA 0536 (NOTAL)

(B) STATE 204478

1. CONTRACT BETWEEN MORRISON-KNUDSEN INTERNATIONAL COMPANY INC. (MKI) AND P.T. SEMEN GRESIK (PESERO) FOR CONSTRUCTION OF EXPANSION SEMEN GRESIK WAS SIGNED MORNING AUGUST 29 IN CONFERENCE ROOM GOI DIRECTORATE GENERAL CHEMICAL INDUSTRIES IN JAKARTA. NEIL SPENCER, PRESIDENT, SIGNED FOR MKI. IR. HARTARTO, DIRECTOR INDUSTRIAL SILICATES OF DIRECTORATE GENERAL CHEMICAL INDUSTRIES, AND DRS. SUYUDNO BROTO DIHARJO OF GRESIK BOARD OF COMMISSIONERS SIGNED FOR INDONESIANS. PRESENT AT THE CEREMONY WAS ALSO SENIOR OFFICIALS FROM MKI; AGUS SUJUNO, DIRECTOR GENERAL FOR CHEMICAL INDUSTRIES; IR. SOTION ARDJANGGI, PRESIDENT-DIRECTOR OF GRESIK; E/CM COUNSELOR; AND SARDJONO, MANAGING DIRECTOR OF BAPINDO (DEVELOPMENT BANK OF INDONESIA).

2. SARDJONO SAID BAPINDO WILL MANAGE FINANCING OF PROJECT

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AND THAT TRIPARTITE AGREEMENT AMONG BANK INDONESIA, CHASE

MANHATTAN, AND EXIM SIGNED IN NEW YORK ON WEDNESDAY, AUGUST 27, TO IMPLEMENT EXIM CREDIT FOR THIS PROJECT. (N.B.: CHASE BRANCH OFFICER JAKARTA DENIES THIS, STATING INTENSE NEGOTIATIONS WERE TAKING PLACE THAT DATE BUT NO SIGNING.) SOTION REPORTED THAT "COST OVERRUNS" WOULD NOT BE PRESENTED TO EXIM FOR CONSIDERATION FOR ADDITIONAL FINANCING BECAUSE THEY WILL BE "HANDLED FROM OUR OWN RESOURCES."

3. EMBASSY HAS JUST BEEN ADVISED BY AMCONSUL SURABAYA (SEPTEMBER 2) THAT SOTION HAS APPLIED FOR NIV TO VISIT WASHINGTON BECAUSE HE HAS BEEN CALLED BY MINISTER OF FINANCE FOR DISCUSSIONS ABOUT SUBJECT CREDIT. SOTION WILL BE ACCOMPANIED BY DRS. Z. SOEDJA, CHIEF OF ADMINISTRATIVE SECTION, AND THEY ARE PREPARED REMAIN WASHINGTON "AS LONG AS NECESSARY, PERHAPS UP TO ONE MONTH." SOTION AND SOEDJA ARE BOOKED TO ARRIVE NEW YORK VIA KL 641 SEPTEMBER 3 AND TO FLY DIRECTLY TO WASHINGTON ON NA 403 SAME DATE.

4. SOTION SAID THAT IFC VERY INTERESTED IN TIMOR CEMENT PLANT AND WOULD BE SEEKING DISCUSSIONS WITH US EXIMBANK REGARDING JOINT FINANCING WITH IFC FOR THIS PROJECT IN 1977. IN SEPARATE CONVERSATION HARTARTO MADE SAME COMMENT WITHOUT ANY PROMPTING BY E/CM COUNSELOR. BOTH OBSERVED THAT PLANT WOULD PRODUCE FOR NEARBY INDONESIAN MARKET AND EXPORT TO NORTHERN AUSTRALIA SINCE AUSTRALIA HAD NO CEMENT PRODUCTION IN NORTHERN TERRITORIES.

5. IN REMARKS FOLLOWING SIGNING, AGUS SUJUNO EMPHASIZED GOI EXPECTATION THAT MKI WOULD COMPLETE JOB IN 30 MONTHS FROM START-UP AND WOULD PURSUE AGGRESSIVELY INDONESIANIZATION DURING CONSTRUCTION.  
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## Message Attributes

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**TAGS:** EFIN, BEXP, OTRA, ID, XMB, MKI, PESERO  
**To:** STATE  
**Type:** TE  
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